

RECIPROCAL TRADE

Exchange of notes at Quito March 2, 1942, modifying agreement of August 6, 1938

Entered into force March 2, 1942

*Terminated July 17, 1956*¹

56 Stat. 1472; Executive Agreement Series 248

The Minister of Foreign Affairs to the American Minister

[TRANSLATION]

REPUBLIC OF ECUADOR
MINISTRY OF FOREIGN AFFAIRS
COMMERCIAL OFFICE

No. 33-DC-9

QUITO, March 2, 1942

SUBJECT: MODIFICATION OF THE TRADE AGREEMENT BETWEEN ECUADOR AND
THE UNITED STATES OF AMERICA

MR. MINISTER:

I have the honor to refer to recent conversations which have taken place with regard to the financial emergency with which the Government of the Republic of Ecuador is today confronted and, in that connection, to certain provisions of the trade agreement between the Republic of Ecuador and the United States of America signed at Quito on August 6, 1938, as amended by notes exchanged at Quito on August 6, 1938, September 9, 1938, and September 13, 1938.²

In the course of these conversations it has been pointed out that the Government of the Republic of Ecuador finds it necessary, as a fiscal measure designed solely to meet the existing financial emergency, to augment customs revenues, which make up such a large percentage of total revenues, to an extent deemed necessary to safeguard vital interests of the nation.

Consideration was given to the possibility of terminating both schedules of the trade agreement as a way out of the difficulty; but neither Government desires to adopt this course if it should be possible to avoid it. Therefore, the conversations to which I have referred have disclosed a mutual understanding which, specifically, is as follows:

¹ Pursuant to notice of termination given by the United States Jan. 17, 1956.

² EAS 133, *ante*, p. 338.

In view of the existing circumstances, the Government of the United States of America will not invoke the provisions of article I of the trade agreement in respect of the application of the proposed increase in customs duties to articles imported into Ecuador from the United States which are included in schedule I of the agreement. It is understood that such increase will be applied equally to all dutiable imports from all foreign countries and that such increase will not become effective with regard to imports from the United States prior to a period of 30 days from the date of this note. It is understood, further, that such increase will be reduced and finally eliminated as soon as Ecuador's fiscal situation improves sufficiently to warrant such a measure.

I also desire to take this occasion to confirm the understanding which has been reached between the Government of the Republic of Ecuador and the Government of the United States of America that, notwithstanding the provisions of article X of the trade agreement concerning the control of foreign-exchange transactions relating to trade between the two countries, the Governments of the two countries agree to apply and administer any control over such transactions as follows:

1. If the Government of either country establishes or maintains any form of control of the means of effecting international payments, it shall accord unconditional most-favored-nation treatment to the commerce of the other country with respect to all aspects of such control.

2. The Government establishing or maintaining such control shall impose no prohibition, restriction, or delay on the transfer of payment for any article the growth, produce, or manufacture of the other country which is not imposed on the transfer of payment for a like article the growth, produce, or manufacture of any third country. With respect to rates of exchange and with respect to taxes or charges on exchange transactions, articles the growth, produce, or manufacture of the other country shall unconditionally receive treatment no less favorable than that accorded to like articles the growth, produce, or manufacture of any third country. The foregoing provisions shall also extend to the application of such control to payments incidental to or necessary for the importation of articles the growth, produce, or manufacture of the other country. In general, the control shall be administered so as not to influence to the disadvantage of the other country the competitive relationship between the articles the growth, produce, or manufacture of that country and like articles the growth, produce, or manufacture of third countries.

It is further understood that none of the provisions of paragraphs 1 and 2 above or of the trade agreement of August 6, 1938, as amended, shall prevent either of the two countries from adopting or putting into effect measures relating to public security or imposed for the protection of the country's essential interests in time of war or other national emergency.

I avail myself of this opportunity to renew to Your Excellency the assurances of my highest consideration.

J. TOBAR DONOSO

His Excellency
BOAZ LONG,
*Envoy Extraordinary and Minister Plenipotentiary
of the United States of America,
City.*

The American Minister to the Minister of Foreign Affairs

LEGATION OF THE
UNITED STATES OF AMERICA
Quito, March 2, 1942

No. 58

EXCELLENCY:

I have the honor to acknowledge the receipt of Your Excellency's Note No. 33-DC-9 of today's date with regard to the mutual understanding reached between representatives of the Government of the United States of America and the Government of the Republic of Ecuador concerning the application of certain provisions of the Trade Agreement between our two countries.

I have the honor to confirm the statement in Your Excellency's Note of the understanding reached with reference to the matters dealt with therein.

Please accept, Excellency, the renewed assurances of my highest and most distinguished consideration.

BOAZ LONG

His Excellency
Dr. JULIO TOBAR DONOSO,
*Minister for Foreign Affairs,
Quito.*